

# Failure of Stimulus to Create Jobs Now Leading to Job-Killing Taxes

***“Rising unemployment = higher business taxes”***

Dear Colleague:

That’s the headline of a February 2, 2010 article in the Twin Cities, Minnesota *Pioneer Press*. The article describes how higher-than-expected unemployment following Democrats’ trillion dollar 2009 stimulus law is leading to higher taxes on jobs. Unlike the Federal Government, most States must pay for additional unemployment benefits by raising taxes on jobs, paid by employers. A recent report noted more than two thirds of States will see tax hikes on jobs this year.

What does that mean? As the *Pioneer Press* article shows:

Taxes are expected to keep rising “over at least the next four years”:

*“With a record 240,000 people collecting jobless benefits in Minnesota, tax hikes to cover mounting costs of the unprecedented payouts are beginning to show up for employers — and that bill is expected to keep growing for many years. This year, the increase amounts to \$200 million. That will push total annual contributions from employers to jobless benefits to \$1.1 billion. State officials anticipate similar increases over at least the next four years as the state grapples with an economy that creates few new jobs and taps the federal government for loans to cover the cost of issuing unemployment checks.”*

All types of employers are paying higher taxes:

*“An employer with no layoffs will pay \$154 per employee this year, up 30 percent from last year....On the other end of the spectrum, an employer with many layoffs will pay \$2,893 per employee, up 5 percent from last year....Jim Benike, an owner of Alvin E. Benike general contractors in Rochester, is among the employers feeling the squeeze. Already battered by a dropoff in commercial construction that has forced him to cut his work force by half, Benike's unemployment insurance tax bill has spiked 54 percent this year, to \$452,000.”*

Minnesota is not alone:

*“Minnesota is among 35 states, including Wisconsin, that are seeing some form of unemployment tax increase this year; 27 states are tapping the feds for loans...Minnesota is expected to borrow money from the feds through 2012. Department of Labor officials expect states to borrow \$90 billion from the federal government to pay out benefits. So far, states have borrowed \$30 billion.”*

As Congress considers Democrats’ *next* stimulus bill designed to “jumpstart job creation,” it’s important to recall the unemployment and tax hikes left in the wake of their last stimulus bill.

Sincerely,

John Linder